

HL

Exercise 4

Given the data below from Australia's 2009–10 BOP, calculate the entries X1, X2, X3, X4, X5, X6 and X7.

Balance of payments items	AU\$ (millions)
A. Current account	X4
<i>Receipts</i>	
Goods	201,463
Services	52,751
Income	35,718
Current transfers	6,219
<i>Payments</i>	
Goods	204,490
Services	53,499
Income	84,295
Current transfers	7,939
<i>Balances</i>	
Goods and services	X1
Income	X2
Current transfers	X3
B. Capital account	–289
C. Financial account	X5
Net direct investment abroad	17,456
Net portfolio investment	66,423
Net other investments	–35,331
Reserve assets	5,928
Total capital and financial accounts	X6
Balancing item (net errors and omissions or statistical discrepancy)	X7

Exercise 5

Explain the policies that may be employed to correct a persistent current account deficit.

Exercise 6

What are the relative advantages and disadvantages of adopting expenditure-reducing versus expenditure-switching policies to correct a persistent current account deficit?

Exercise 7

Explain whether a current account surplus is a cause of concern.